Background Information/Notes for Slides

Site History

- 4/1980: The refinery was constructed by UNI Refining
    - The refinery or portions thereof operated intermittently under various entities for refining and storage and then just storage.
- 12/1990: National Oil Recovery Corporation (NORCO) obtained the facility
    - 6/1991: NORCO obtained the dock facility from Sun Operating.
    - It does not appear that NORCO ever operated the facility but did lease the facility out for use of the onsite storage tanks.
- 09/2011: Designation as Superfund Alternatives Site cancelled and Site was listed on the NPL
- 2/2012: Lazarus Texas Refinery 1 (LTR1)obtained the facility and dock. NORCO remains liable for cleanup activities under the AOC even though they have a sales contract where LTR1 has formally accepted those continuing AOC responsibilities.

Removal

- 08/2003: Action Memo for Oversight Costs Signed to be included in AOC ($99,993).
- 06/2004: Removal AOC entered into with PRP (National Oil Recovery Corporation (NORCO)) to conduct Removal Action. The Scope of Work is:
    - Remove/Dispose of source materials from tanks, misc. containers, equipment, buildings, piping, and piping to the docks
    - The work also includes:
        - Asbestos Inspection and Abatement
        - Assessment and Removal of Hazardous Substance, or Pollutants, or Contaminants
        - Decontamination of Containers, Equipment, Piping, and Buildings
        - Removal of Containers, Equipment, Piping, and Other Contaminated Items
        - Consolidation, Removal, and Disposal of Visibly Contaminated Soils

- During NORCO Ownership under the AOC (8/2003 – 2/2012), NORCO accomplished the following:
    - Disposal of:
        - 7.8 million gallons of hazardous waste liquids via deep well injection
        - 40 yd of petroleum contaminated soils
        - 15 yd hazardous solids
        - 58,000 pounds of K169/Caustic Sludge
        - 166,000 pounds K169 Sludge
        - 50 yd fiberglass insulation
    - Recycled 1.8 million pounds metal
    - Recycled 17,000 gallons of oil
    - Cleaned/Gas Freed/Demolished 15 Tanks

- 02/23/12: Sale of Falcon Refinery - Letter Agreement between NORCO and LEH/LTR (closed about 2/29/12)
- 06/28/2012: Superior Crude (Leasee) had a pipeline spill estimated at 15 – 20 bbls (Cleanup Performed by Superior).

- 12/26/2012: Superior Crude (Leasee) had another tank spill (Tank 13) estimated at 3 – 5 gallons/minute and remained in a trench in secondary containment. Tank pumped off to barge. TRRC involved. (Cleaned up by Superior)
- 12/31/12: LTR1 activities on-site ceased due to funding issues but were slow to non-existent
- LTR1 actions since 2/12 – 12/12purchase:
    - Conducted Site Maintenance Activities
    - Repaired Secondary Containment
    - Cleaned and Made temporary repair to T12 to facilitate transfer of water from T26
    - Set up transfer piping to transfer water from T26 to T12 (never really did much transfer)
    - Irrigation Field Set Up for Land Application of Treated water from T12/26
    - Removed portion of T30 internal roof to access sludge
    - Disposed of 50 yd of fiberglass insulation from previous tank demo
    - Inventoried/Sample Waste for Disposal and Treatment Option.
- 3/13: LTR1 provides information about a loan it is seeking to continue progress at site
- 4/13: LTR1 indicates the loan value is initially $3.5 million but no further work can be done until loan is approved. The also indicated that they will pursue a $10 million followup loan after this one.
- 7/13: Received $3.2 million loan (owner had to get life insurance policy to cover loan) to retrofit T16,12,and 30.
- 2/14: Completed T16. Owner not sure if the remaining money will allow them to retrofit T12 or 30 as there were cost overruns on T16 due to unknown issues. In the process of obtaining estimates.

Remaining Removal Activities:

- Tank 26
    - Transfer oily water from T26 to T12 or T16 or
    - Remove/Dispose of oily water/sludge (26,000 bbl/11375 bbl)
    - Demolish /RefurbishTank (as desired)
    - Remove all contaminated soils from below tank (as necessary)
- Tank 7
    - Remove/Dispose sludge from Tank (861 bbls)
    - Demolish /RefurbishTank (as desired)
    - Remove all contaminated soils from below tank (as necessary)
- Tank 30
    - Remove remainder of internal roof
    - Remove/Dispose of oily water/sludge (3032 bbl/3032 bbl)
    - Demolish /RefurbishTank (as desired)
    - Remove all contaminated soils from below tank (as necessary)
- Tank 12
    - Transfer oily water (6246 bbl) to T16 to be treated and irrigated
    - Demolish /RefurbishTank (as desired)
    - Remove all contaminated soils from below tank (as desired)
- Removal of materials from all piping and other equipment
- Butane Tank
    - Clean/Dispose of residual material
- Water Treatment System
    - Test installed irrigation system
    - Treat water with treatment chemical/sand/activated carbon

    - Test to determine if it meets TCEQ and Land Disposal Criteria and Retreat as necessary
    - Batch irrigate once water meets criteria
- Asbestos Removal
    - Conduct additional Asbestos Survey of Process Area
    - Conduct Asbestos Removal/Disposal as required
- Removal Action Report

Tank Number	Tank Capacity (bbls)	Waste Type	Waste Volume (feet)	Waste Volume (bbls)
7	10000	Sludge (K169)	2.5	861
12	100000	Oily Water	3	6246
26	65000	Oily Water Sludge (K169)	16 7	26000 11375
30	160000	Oily Water Sludge (K169)	0.75 0.75	3082 3082

- Tanks 13, 14, 15 being still with Superior Crude
- Tank 16 is being repaired by LTR1 (complete)

- Sludge: 643,356 gallons @6.02#/gal@ .0005 ton/# X $500/ton = $968,250
- Oily Water: 35328 bbls (1,483,776 gallons) X $1.00 = $ 1,483,000
- Asbestos Waste: $3600
- Soil: $ 50,000
- Transportation: $350,000
- Labor: $ 1,000,000
- Equipment & Supplies: $ 1,000,000
- Total: $ 5,821,500 (includes 20% contingency)

Options:

1. **We file default on the Removal Order. We don't have the money and nothing gets done or we try to piece meal the cleanup action over several years. Will eventually get cleaned up but at what cost?**

- **We will put a lien on property (good for 3 years) to insure we get reimbursed in case of a property transfer. This will stifle loans which results in no or very little progress by the owner to get property back to a productive use.**
- **Owner may bankrupt the shell company (LTRI) which owns the refinery/dock. EPA will likely never receive reimbursement of costs.**

- **It is important to remember that NORCO and LTR1 are both shell companies that have no real income so if they close up shop at any time then everything is on the EPA.**

2. **We continue to work with the current owner and continue to harass them and make them spend their money or the money they borrow to repair the facility for productive use. The are getting loans as evidenced by the $3.2 million loan they received to repair T16, 12 and 30. Tank 16 repair is complete. Also the $10 million loan that are trying to get to do additional repair work on the facility. These loans are not specifically written for environmental cleanup but to repair assets that can be used for making money. These assets (Tanks) have to be cleaned out to be repaired so the loans can be used for those activities as long as they can achieve a definitive volume of storage capacity as designated in the loan.**

    - **LTRI has indicated that they need a determination from us on the Dock Area so that they can use it as collateral for the $10 million loan (SBA thru USDA). EPA believes that the Dock Area is likely clean based upon Industrial Standards but the analytical data and human health risk needs to be evaluated to make that determination as quickly and thoroughly as possible.**
    - **The $10 million loan will allow progress to be made which will include progress towards the cleanup. There is never a guarantee but the likelihood is that the major issues (waste in dilapidated tankage) will be addressed.**
    - **Ultimately, if they start making money we can work out a payment schedule for past costs. I think it is in our best interest to continue to work with them to address the site as quickly as possible but be vigilant to protect our interest without stifling their progress. Acting to harshly and hastily may not be in our best interest.**

3. **I don't necessarily like this option and not sure that we can even do this. We do some type of partial/full default where we go in and spend whatever money we can muster up on an annual basis to address the worst environmental issues first. I hate to use this word "partner" with the owner to address the issues but this is exactly what this would be. We would be protecting our interests by making sure we address our worst environmental issues on the site immediately while they spend the loan money to repair the tankage and equipment getting the facility closer to being productive. Once we complete our actions, we put a lien on the property and work out a payment schedule with them to reimburse us.**

- **We would not be able to do a lien immediately because this would scare off potential lenders and possibly investors.**
- **It appears obvious that LTRI sees potential in this site as an oil terminal and so do the lenders because of their interest. I have a hard time seeing LTRI walking away from this site as long as we continue to work with them to address the site issues.**

None of these options are great but at least option 2 or 3 has the best opportunity of maybe getting the property cleaned up and it being productive again.

Risks: They have a release from tank 7, 12, 26 or 30 that they do not respond to and EPA has to respond and address. They have a release from tank 7,12,26, or 30 as a result of a natural disaster such as a hurricane and the materials are discharged into the environment. We continue to allow the PRP to operate in non-compliance with the Removal AOC without taking corrective actions.